

# BOARD HIGHLIGHTS

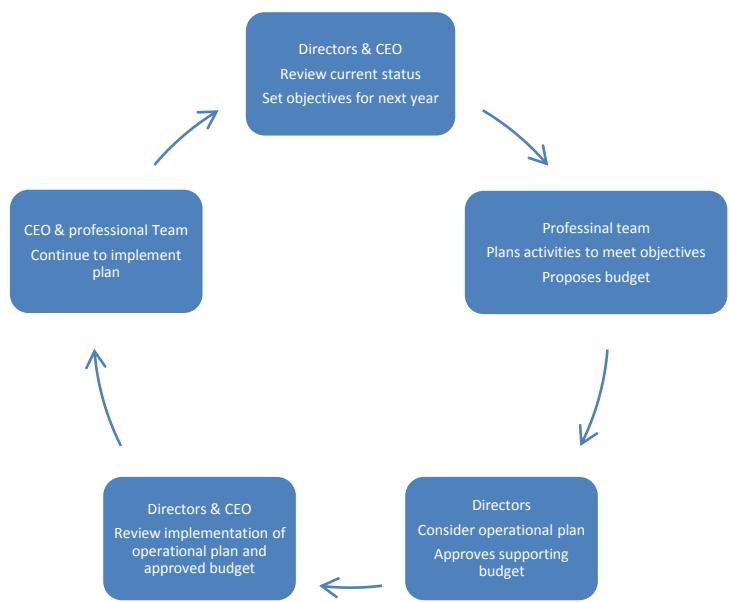
## DEMOCRACY in the COOPERATIVE WORLD (Part 2)

Previously, I illustrated the differences between directors of co-operatives and those of other companies. In such co-operative enterprises as a credit union, each member has the same power to elect those they wish to direct the affairs of the company. In private and public enterprises, shareholders elect directors in proportion to the number of shares they own; the higher the shares owned, the greater the power to determine the outcome of elections. It is extremely important that all co-operative and credit union directors understand and support this basic difference: one cannot make decisions favourable to one's self or to a special group. When making any decision, credit union directors must always ask themselves, "What is in the best interest of the members?"

It follows, then, that the purpose of the two kinds of companies is different. Yet, it is the purpose of all these enterprises to earn a profit. No, profit is not a dirty word in a cooperative enterprise! Every year your credit union sets out to operate profitably, and it does so. The difference between the two is the way the profits are used. In a credit union, the profits serve three purposes: to provide or to improve the products and services the members want, to strengthen the company, and to reward the members for doing business with it. In a public or private enterprise, the directors apply the profits to the best advantage of the majority of shareholders.

Like other boards, the fundamental duty of a credit union board of directors is the management of the company. Company law requires every director to take an active role in board discussions. While directors often delegate certain powers to an executive team, they remain responsible for the outcomes. Some refer to boards as, 'the mind of management.' Are you ready to ask, "What does the board of directors of my credit union really do?"

Our credit union directors operate on an annual three-step cycle. First, directors and the CEO review our current status and consider the year ahead; they make plans to provide, on a profitable basis during that year, to deliver to members the products and services required; they plan for our credit union to continue to be successful for the foreseeable future. The senior team then devises an operational plan to meet the objectives the directors have established and prepares a budget to support it. Secondly, the board reviews all the work of the professional team and approves the agreed-upon budget. Thirdly, on a six-month basis each year, the senior professionals and directors review the approved budget and operational plan. Of course, throughout the year, directors make decisions in support of strategic initiatives and to address evolving concerns.



From this, I hope you can perceive the competencies and skills important for directors of your credit union.

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